

By: Carona

S.J.R. No. 7

A JOINT RESOLUTION

1 proposing a constitutional amendment authorizing line-of-credit
2 advances under a reverse mortgage.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

4 SECTION 1. Section 50(p), Article XVI, Texas Constitution,
5 is amended to read as follows:

6 (p) The advances made on a reverse mortgage loan under which
7 more than one advance is made must be made according to the terms
8 established by the loan documents by one or more of the following
9 methods:

10 (1) an initial advance at any time and future advances
11 at regular intervals;

12 (2) an initial advance at any time and future advances
13 at regular intervals in which the amounts advanced may be reduced,
14 for one or more advances, at the request of the borrower; [ex]

15 (3) an initial advance at any time and future advances
16 at times and in amounts requested by the borrower until the credit
17 limit established by the loan documents is reached;

18 (4) an initial advance at any time, future advances at
19 times and in amounts requested by the borrower until the credit
20 limit established by the loan documents is reached, and subsequent
21 advances at times and in amounts requested by the borrower to the
22 extent that the outstanding balance is repaid; or

23 (5) at any time by the lender, on behalf of the
24 borrower, if the borrower fails to timely pay any of the following

1 that the borrower is obligated to pay under the loan documents to
2 the extent necessary to protect the lender's interest in or the
3 value of the homestead property:

4 (A) taxes;

5 (B) insurance;

6 (C) costs of repairs or maintenance performed by
7 a person or company that is not an employee of the lender or a person
8 or company that directly or indirectly controls, is controlled by,
9 or is under common control with the lender;

10 (D) assessments levied against the homestead
11 property; and

12 (E) any lien that has, or may obtain, priority
13 over the lender's lien as it is established in the loan documents.

14 SECTION 2. This proposed constitutional amendment shall be
15 submitted to the voters at an election to be held November 8, 2005.
16 The ballot shall be printed to permit voting for or against the
17 proposition: "The constitutional amendment authorizing
18 line-of-credit advances under a reverse mortgage."

BILL ANALYSIS

Senate Research Center
79R1125 DWS-F

S.J.R. 7
By: Carona
Business and Commerce
2/11/2005
As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Currently, the Texas Constitution permits advances under a reverse mortgage to be made only in a lump sum after settlement or in regular periodic, predetermined equal amounts over a term of years or the lifetimes of homeowners. As proposed, S.J.R. 7 amends the provisions of Section 50(p), Article XVI, of the Texas Constitution to allow senior homeowners to draw advances under a reverse mortgage at unscheduled intervals if and when needed, and only in amounts needed, during the loan term.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 50(p), Article XVI, Texas Constitution, as follows:

(p) Requires the advances made on a reverse mortgage loan under which more than one advance is made to be according to the terms established by the loan documents by one or more of the following methods:

an initial advance at any time and future advances at regular intervals; an initial advance at any time and future advances at regular intervals in which the amounts advanced may be reduced, for one or more advances, at the request of the borrower; an initial advance at any time and future advances at times and in amounts requested by the borrower until the credit limit established by the loan documents is reached; an initial advance at any time, future advances at times and in amounts requested by the borrower until the credit limit established by the loan documents is reached, and subsequent advances at times and in amounts requested by the borrower to the extent that the outstanding balance is repaid; or at any time by the lender, on behalf of the borrower, if the borrower fails to timely pay certain costs that the borrower is obligated to pay under the loan documents to the extent necessary to protect the lender's interest in or the value of the homestead property.

SECTION 2. Requires the proposed constitutional amendment to be submitted to the voters at an election to be held November 8, 2005. Requires the ballot to be printed to permit voting for or against the proposition and sets forth appropriate language.

By: Carona S.J.R. No. 7
(In the Senate - Filed November 8, 2004; February 1, 2005,
read first time and referred to Committee on Business and Commerce;
February 17, 2005, reported adversely, with favorable Committee
Substitute by the following vote: Yeas 8, Nays 0;
February 17, 2005, sent to printer.)

COMMITTEE SUBSTITUTE FOR S.J.R. No. 7 By: Carona

SENATE JOINT RESOLUTION

proposing a constitutional amendment authorizing line-of-credit
advances under a reverse mortgage.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subsection (p), Section 50, Article XVI, Texas
Constitution, is amended to read as follows:

(p) The advances made on a reverse mortgage loan under which
more than one advance is made must be made according to the terms
established by the loan documents by one or more of the following
methods:

(1) an initial advance at any time and future advances
at regular intervals;

(2) an initial advance at any time and future advances
at regular intervals in which the amounts advanced may be reduced,
for one or more advances, at the request of the borrower; ~~or~~

(3) an initial advance at any time and future advances
at times and in amounts requested by the borrower until the credit
limit established by the loan documents is reached;

(4) an initial advance at any time, future advances at
times and in amounts requested by the borrower until the credit
limit established by the loan documents is reached, and subsequent
advances at times and in amounts requested by the borrower to the
extent that the outstanding balance is repaid; or

(5) at any time by the lender, on behalf of the
borrower, if the borrower fails to timely pay any of the following
that the borrower is obligated to pay under the loan documents to
the extent necessary to protect the lender's interest in or the
value of the homestead property:

(A) taxes;

(B) insurance;

(C) costs of repairs or maintenance performed by
a person or company that is not an employee of the lender or a person
or company that directly or indirectly controls, is controlled by,
or is under common control with the lender;

(D) assessments levied against the homestead
property; and

(E) any lien that has, or may obtain, priority
over the lender's lien as it is established in the loan documents.

SECTION 2. Section 50, Article XVI, Texas Constitution, is
amended by adding Subsection (v) to read as follows:

(v) A reverse mortgage must provide that:

(1) the owner does not use a credit card, debit card,
preprinted solicitation check, or similar device to obtain an
advance;

(2) any fees other than monthly servicing fees are
charged and collected only at the time the extension of credit is
established and that no transaction fee is charged or collected in
connection with any debit or advance; and

(3) the lender or holder may not unilaterally amend
the extension of credit.

SECTION 3. This proposed constitutional amendment shall be
submitted to the voters at an election to be held November 8, 2005.
The ballot shall be printed to permit voting for or against the
proposition: "The constitutional amendment authorizing
line-of-credit advances under a reverse mortgage."

FAVORABLY AS SUBSTITUTED
SENATE COMMITTEE REPORT ON

SB SCR SJR SR HB HCR HJR 7

By Carona
(Author/Senate Sponsor)

February 17, 2005
(date)

We, your Committee on BUSINESS AND COMMERCE, to which was referred the attached measure,
have on February 15, 2005, had the same under consideration and I am instructed to report it
(date of hearing)
back with the recommendation (s) that it:

- ☒ do pass as substituted, and be printed
☒ the caption remained the same as original measure
☐ the caption changed with adoption of the substitute
☐ do pass as substituted, and be ordered not printed
☒ and is recommended for placement on the Local and Uncontested Bills Calendar.

A fiscal note was requested. ☒ yes ☐ no

A revised fiscal note was requested. ☒ yes ☐ no

An actuarial analysis was requested. ☐ yes ☒ no

Considered by subcommittee. ☐ yes ☒ no

The measure was reported from Committee by the following vote:

| | YEA | NAY | ABSENT | PNV |
|------------------------------------|-------------------------------------|-----|-------------------------------------|-----|
| Senator Troy Fraser, Chairman | <input checked="" type="checkbox"/> | | | |
| Senator Kip Averitt, Vice-Chairman | <input checked="" type="checkbox"/> | | | |
| Senator Ken Armbrister | | | <input checked="" type="checkbox"/> | |
| Senator Kim Brimer | <input checked="" type="checkbox"/> | | | |
| Senator John Carona | <input checked="" type="checkbox"/> | | | |
| Senator Kevin Eltife | <input checked="" type="checkbox"/> | | | |
| Senator Craig Estes | <input checked="" type="checkbox"/> | | | |
| Senator Eddie Lucio | <input checked="" type="checkbox"/> | | | |
| Senator Leticia Van de Putte | <input checked="" type="checkbox"/> | | | |
| TOTAL VOTES | 8 | | 1 | |

COMMITTEE ACTION

- ☒ S260 Considered in public hearing
☒ S270 Testimony taken

Lator Baker
COMMITTEE CLERK

T. J. Fraser
CHAIRMAN

Paper clip the original and one copy of this signed form to the original bill along with TWO copies of the Committee Substitute
Retain one copy of this form for Committee files

WITNESS LIST

SJR 7

SENATE COMMITTEE REPORT

Business & Commerce

February 15, 2005 - 9:00AM

FOR: Doggett, Robert (Texas Low Income Housing Information Service), Austin, TX
Norman, Scott (Texas Association of Reverse Mortgage Lenders), Austin, TX

Registering, but not testifying:

For: Bhatia, Khelan (AARP), Austin, TX
Dennis, Rachel (Texas Bankers Association), Austin, TX
Rudd, Jim (Texas Association of Mortgage Brokers), Austin, TX
Scurlock, Steve (Independent Bankers Association of Texas), Austin, TX
Stegall, Melodie (Credit Union Legislative Coalition), Austin, TX
Temple, Larry (Texas Mortgage Bankers Association), Austin, TX

On: Pettijohn, Leslie (Consumer Credit Commissioner), Austin, TX

BILL ANALYSIS

Senate Research Center

C.S.S.J.R. 7
By: Carona
Business and Commerce
2/16/2005
Committee Report (Substituted)

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Currently, the Texas Constitution permits advances under a reverse mortgage to be made only in a lump sum after settlement or in regular periodic, predetermined equal amounts over a term of years or the lifetimes of homeowners. C.S.S.J.R. 7 amends the provisions of Section 50, Article XVI, of the Texas Constitution to allow senior homeowners to draw advances under a reverse mortgage at unscheduled intervals if and when needed, and only in amounts needed, during the loan term. The legislation includes other safeguards regarding how advances are obtained, fees, and amendment of the credit terms.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 50(p), Article XVI, Texas Constitution, as follows:

(p) Requires the advances made on a reverse mortgage loan under which more than one advance is made to be according to the terms established by the loan documents by one or more of the following methods:

an initial advance at any time and future advances at regular intervals; an initial advance at any time and future advances at regular intervals in which the amounts advanced may be reduced, for one or more advances, at the request of the borrower; an initial advance at any time and future advances at times and in amounts requested by the borrower until the credit limit established by the loan documents is reached; an initial advance at any time, future advances at times and in amounts requested by the borrower until the credit limit established by the loan documents is reached, and subsequent advances at times and in amounts requested by the borrower to the extent that the outstanding balance is repaid; or at any time by the lender, on behalf of the borrower, if the borrower fails to timely pay certain costs that the borrower is obligated to pay under the loan documents to the extent necessary to protect the lender's interest in or the value of the homestead property.

SECTION 2. Amends Section 50, Article XVI, Texas Constitution, by adding Subsection (v), to set forth certain stipulations regarding a reverse mortgage.

SECTION 3. Requires the proposed constitutional amendment to be submitted to the voters at an election to be held November 8, 2005. Requires the ballot to be printed to permit voting for or against the proposition and sets forth appropriate language.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 16, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SJR7 by Carona (proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 14, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SJR7 by Carona (Proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **As Introduced**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

REQUEST FOR LOCAL & UNCONTESTED CALENDAR PLACEMENT

SENATOR CHRIS HARRIS, CHAIRMAN
SENATE COMMITTEE ON ADMINISTRATION

Notice is hereby given that SJR 7, by Carona,
(Bill No.) (Author/Sponsor)

was heard by the Committee on Business and Commerce on February 15, 2005,
and reported out with the recommendation that it be placed on the Local and Uncontested Calendar.

Yatmy Barker
(Clerk of the reporting committee)

IMPORTANT: A COPY OF THIS FORM MUST BE ATTACHED TO A COMMITTEE PRINTED VERSION OF THE BILL OR RESOLUTION AND SHOULD BE DELIVERED TO THE ADMINISTRATION COMMITTEE OFFICE, E1.714. DEADLINES FOR SUBMITTING BILLS AND RESOLUTIONS WILL BE ANNOUNCED ON A REGULAR BASIS.

ADOPTED
by a vote of 30-0
MAR 03 2005

Lotay Spaw
Secretary of the Senate

By: CARONA

Carmon
S.J.R. No. 7

Substitute the following for S.J.R. No. 7:

By: Carmon

C.S. 5 S.J.R. No. 7

SENATE

~~VA~~ JOINT RESOLUTION

1 proposing a constitutional amendment authorizing line-of-credit
2 advances under a reverse mortgage.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

4 ^{Subsection (p),} SECTION 1. Section 50 ^(p), Article XVI, Texas Constitution, is
5 amended to read as follows:

6 (p) The advances made on a reverse mortgage loan under which
7 more than one advance is made must be made according to the terms
8 established by the loan documents by one or more of the following
9 methods:

10 (1) an initial advance at any time and future advances
11 at regular intervals;

12 (2) an initial advance at any time and future advances
13 at regular intervals in which the amounts advanced may be reduced,
14 for one or more advances, at the request of the borrower; [or]

15 (3) an initial advance at any time and future advances
16 at times and in amounts requested by the borrower until the credit
17 limit established by the loan documents is reached;

18 (4) an initial advance at any time, future advances at
19 times and in amounts requested by the borrower until the credit
20 limit established by the loan documents is reached, and subsequent
21 advances at times and in amounts requested by the borrower to the

2-17-05

3-3-05

See House sub

1 extent that the outstanding balance is repaid; or

2 (5) at any time by the lender, on behalf of the ¹/₂
3 borrower, if the borrower fails to timely pay any of the following
4 that the borrower is obligated to pay under the loan documents to
5 the extent necessary to protect the lender's interest in or the
6 value of the homestead property:

7 (A) taxes;

8 (B) insurance;

9 (C) costs of repairs or maintenance performed by a
10 person or company that is not an employee of the lender or a person
11 or company that directly or indirectly controls, is controlled by,
12 or is under common control with the lender;

13 (D) assessments levied against the homestead
14 property; and

15 (E) any lien that has, or may obtain, priority over
16 the lender's lien as it is established in the loan documents.

17 SECTION 2. Section 50, Article XVI, Texas Constitution, is
18 amended by adding Subsection (v) to read as follows:

19 (v) A reverse mortgage must provide that:

20 (1) the owner does not use a credit card, debit card,
21 preprinted solicitation check, or similar device to obtain an
22 advance;

23 (2) any fees other than monthly servicing fees are
24 charged and collected only at the time the extension of credit is
25 established and ~~that~~ no transaction fee is charged or collected in

1 connection with any debit or advance; and

2 (3) the lender or holder may not unilaterally amend the
3 extension of credit.

4 SECTION 3. This proposed constitutional amendment shall be ²/₃
5 submitted to the voters at an election to be held November 8, 2005.
6 [The ballot shall be printed to permit voting for or against the
7 proposition: "The constitutional amendment authorizing line-of-
8 credit advances under a reverse mortgage."

Engrossed March 3, 2005

Mardi Alexander

Engrossing Clerk

I certify this to be a true and correct
copy of the indicated document as
referred or transmitted to committee.

Chief Clerk of the House

By: Carona

S.J.R. No. 7

SENATE JOINT RESOLUTION

proposing a constitutional amendment authorizing line-of-credit
advances under a reverse mortgage.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subsection (p), Section 50, Article XVI, Texas
Constitution, is amended to read as follows:

(p) The advances made on a reverse mortgage loan under which
more than one advance is made must be made according to the terms
established by the loan documents by one or more of the following
methods:

(1) an initial advance at any time and future advances
at regular intervals;

(2) an initial advance at any time and future advances
at regular intervals in which the amounts advanced may be reduced,
for one or more advances, at the request of the borrower; ~~[or]~~

(3) an initial advance at any time and future advances
at times and in amounts requested by the borrower until the credit
limit established by the loan documents is reached;

(4) an initial advance at any time, future advances at
times and in amounts requested by the borrower until the credit
limit established by the loan documents is reached, and subsequent
advances at times and in amounts requested by the borrower to the
extent that the outstanding balance is repaid; or

(5) at any time by the lender, on behalf of the

1 borrower, if the borrower fails to timely pay any of the following
2 that the borrower is obligated to pay under the loan documents to
3 the extent necessary to protect the lender's interest in or the
4 value of the homestead property:

5 (A) taxes;

6 (B) insurance;

7 (C) costs of repairs or maintenance performed by
8 a person or company that is not an employee of the lender or a person
9 or company that directly or indirectly controls, is controlled by,
10 or is under common control with the lender;

11 (D) assessments levied against the homestead
12 property; and

13 (E) any lien that has, or may obtain, priority
14 over the lender's lien as it is established in the loan documents.

15 SECTION 2. Section 50, Article XVI, Texas Constitution, is
16 amended by adding Subsection (v) to read as follows:

17 (v) A reverse mortgage must provide that:

18 (1) the owner does not use a credit card, debit card,
19 preprinted solicitation check, or similar device to obtain an
20 advance;

21 (2) any fees other than monthly servicing fees are
22 charged and collected only at the time the extension of credit is
23 established and that no transaction fee is charged or collected in
24 connection with any debit or advance; and

25 (3) the lender or holder may not unilaterally amend
26 the extension of credit.

27 SECTION 3. This proposed constitutional amendment shall be

S.J.R. No. 7

1 submitted to the voters at an election to be held November 8, 2005.
2 The ballot shall be printed to permit voting for or against the
3 proposition: "The constitutional amendment authorizing
4 line-of-credit advances under a reverse mortgage."

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 16, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SJR7 by Carona (proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 14, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SJR7 by Carona (Proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **As Introduced**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

HOUSE COMMITTEE REPORT

05 MAR 30 AM 10: 05
HOUSE OF REPRESENTATIVES

1st Printing

By: Carona
(Hochberg)

S.J.R. No. 7

Substitute the following for S.J.R. No. 7:

By: Solomons

C.S.S.J.R. No. 7

A JOINT RESOLUTION

1 proposing a constitutional amendment authorizing line-of-credit
2 advances under a reverse mortgage.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

4 SECTION 1. Section 50(p), Article XVI, Texas Constitution,
5 is amended to read as follows:

6 (p) The advances made on a reverse mortgage loan under which
7 more than one advance is made must be made according to the terms
8 established by the loan documents by one or more of the following
9 methods:

10 (1) an initial advance at any time and future advances
11 at regular intervals;

12 (2) an initial advance at any time and future advances
13 at regular intervals in which the amounts advanced may be reduced,
14 for one or more advances, at the request of the borrower; [or]

15 (3) an initial advance at any time and future advances
16 at times and in amounts requested by the borrower until the credit
17 limit established by the loan documents is reached;

18 (4) an initial advance at any time, future advances at
19 times and in amounts requested by the borrower until the credit
20 limit established by the loan documents is reached, and subsequent
21 advances at times and in amounts requested by the borrower
22 according to the terms established by the loan documents to the
23 extent that the outstanding balance is repaid; or

24 (5) at any time by the lender, on behalf of the

borrower, if the borrower fails to timely pay any of the following that the borrower is obligated to pay under the loan documents to the extent necessary to protect the lender's interest in or the value of the homestead property:

(A) taxes;

(B) insurance;

(C) costs of repairs or maintenance performed by a person or company that is not an employee of the lender or a person or company that directly or indirectly controls, is controlled by, or is under common control with the lender;

(D) assessments levied against the homestead property; and

(E) any lien that has, or may obtain, priority over the lender's lien as it is established in the loan documents.

SECTION 2. Section 50, Article XVI, Texas Constitution, is amended by adding Subsection (v) to read as follows:

(v) A reverse mortgage must provide that:

(1) the owner does not use a credit card, debit card, preprinted solicitation check, or similar device to obtain an advance;

(2) after the time the extension of credit is established, no transaction fee is charged or collected solely in connection with any debit or advance; and

(3) the lender or holder may not unilaterally amend the extension of credit.

SECTION 3. This proposed constitutional amendment shall be submitted to the voters at an election to be held November 8, 2005.

C.S.S.J.R. No. 7

1 The ballot shall be printed to permit voting for or against the
2 proposition: "The constitutional amendment authorizing
3 line-of-credit advances under a reverse mortgage."

COMMITTEE REPORT

The Honorable Tom Craddick
Speaker of the House of Representatives

3/21/05
(date)

Sir:

We, your COMMITTEE ON FINANCIAL INSTITUTIONS

to whom was referred SJR 7 have had the same under consideration and beg to report back with the recommendation that it

- () do pass, without amendment.
() do pass, with amendment(s).
(☒) do pass and be not printed; a Complete Committee Substitute is recommended in lieu of the original measure.
(☒) yes () no A fiscal note was requested.
() yes () no A criminal justice policy impact statement was requested.
() yes () no An equalized educational funding impact statement was requested.
() yes () no An actuarial analysis was requested.
() yes () no A water development policy impact statement was requested.
() yes () no A tax equity note was requested.
() The Committee recommends that this measure be sent to the Committee on Local and Consent Calendars.

For Senate Measures: House Sponsor HOCHBERG

Joint Sponsors: / / /

Co-Sponsors:

The measure was reported from Committee by the following vote:

| | AYE | NAY | PNV | ABSENT |
|--------------------|-------------------------------------|-----|-----|-------------------------------------|
| Solomons, Chair | <input checked="" type="checkbox"/> | | | |
| McCall, Vice-chair | <input checked="" type="checkbox"/> | | | |
| Chavez | | | | <input checked="" type="checkbox"/> |
| Flynn | <input checked="" type="checkbox"/> | | | |
| Guillen | <input checked="" type="checkbox"/> | | | |
| Orr | <input checked="" type="checkbox"/> | | | |
| Riddle | <input checked="" type="checkbox"/> | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Total

6 aye
0 nay
0 present, not voting
1 absent

B. A. K. K. K.
CHAIR

BILL ANALYSIS

C.S.S.J.R. 7
By: Carona
Financial Institutions
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Reverse mortgages allow the conversion of home equity into income that can significantly increase the relatively low incomes of senior homeowners. These funds allow seniors to maintain independence and a better quality of life. The loan does not become due until the senior homeowner moves or dies. Current law, however, permits advances under a reverse mortgage to be made only in a lump sum or in regular periodic, predetermined equal amounts over a term of years or the lifetimes of homeowners. Often these options do not suit the needs of borrowers. Many senior homeowners would prefer to take advances under their reverse mortgage only when money is needed to pay property taxes and insurance, medical bills, or other life necessities. This change will allow the flexibility to borrow only what they need while preserving the balance as equity and reducing interest costs significantly because interest accrues only on the amount borrowed.

C.S.S.J.R. 7 would amend the Texas Constitution to allow senior homeowners to draw advances under a reverse mortgage at unscheduled intervals if and when needed, and only in amounts needed, during the loan term.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.S.J.R. 7 amends Article XVI, Texas Constitution, as follows:

The substitute authorizes line-of-credit advances under a reverse mortgage at any time after the loan is approved. The advances may be in any amount and at any time requested by the borrower until the credit limit of the loan is reached.

The substitute requires the reverse mortgage to provide that the owner does not use a credit card, debit card, preprinted solicitation check, or similar device to obtain an advance. The substitute prohibits the charging of transaction fees for each advance after the time the extension of credit is established. Additionally, the lender or holder may not unilaterally amend the extension of credit.

FOR ELECTION

The proposed constitutional amendment shall be submitted to the voters at an election to be held November 8, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.S.J.R. 7 modifies the original by adding language that requires each advance under a reverse mortgage be according to the terms established by the loan documents.

The substitute modifies the original by adding language that prohibits an owner from using a credit card, debit card, or similar device to obtain an advance; prohibits the charging of transactions fees for each advance after the time the extension of credit is established; and prohibits the lender or holder from unilaterally amending the extension of credit.

SUMMARY OF COMMITTEE ACTION

SJR 7

March 21, 2005 2:00PM or upon final adjourn./recess

Considered in public hearing

Committee substitute considered in committee

Testimony taken in committee (See attached witness list.)

Reported favorably as substituted

WITNESS LIST

SJR 7
HOUSE COMMITTEE REPORT
Financial Institutions Committee

March 21, 2005 - 2:00PM or upon final adjourn./recess

For: Norman, Scott (Texas Association of Reverse Mortgage Lenders)

Registering, but not testifying:

For: Bennet, Joey (Credit Union Legislative Coalition)
Bhatia, Khelan (AARP)
Doggett, Robert (Texas Low Income Housing Information Service)
Heasley, John (Texas Bankers Association)
Lehman, Mark (Texas Association of Realtors)
Mathews, Matt (Credit Union Legislative Coalition)
Scurlock, Steve (Independent Bankers Association of Texas)
Temple, Larry (Texas Mortgage Bankers Association)

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 22, 2005

TO: Honorable Burt R. Solomons, Chair, House Committee on Financial Institutions

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **SJR7** by Carona (proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **Committee Report 2nd House, Substituted**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 17, 2005

TO: Honorable Burt R. Solomons, Chair, House Committee on Financial Institutions

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **SJR7** by Carona (Proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **As Engrossed**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 16, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **SJR7** by Carona (proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 14, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SJR7 by Carona (Proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **As Introduced**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

ADOPTED

MAY 02 2005

Robbie H. Hensley
Chief Clerk
House of Representatives

By: Carona

S.J.R. No. 7

Substitute the following for S.J.R. No. 7:

By: Salomons

C.S.S.J.R. No. 7

SENATE

✓ JOINT RESOLUTION

1 proposing a constitutional amendment authorizing line-of-credit
2 advances under a reverse mortgage.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

4 Subsection (p),
5 SECTION 1. Section 50(p), Article XVI, Texas Constitution,
6 is amended to read as follows:

7 (p) The advances made on a reverse mortgage loan under which
8 more than one advance is made must be made according to the terms
9 established by the loan documents by one or more of the following
10 methods:

11 (1) an initial advance at any time and future advances
12 at regular intervals;

13 (2) an initial advance at any time and future advances
14 at regular intervals in which the amounts advanced may be reduced,
15 for one or more advances, at the request of the borrower; [or]

16 (3) an initial advance at any time and future advances
17 at times and in amounts requested by the borrower until the credit
18 limit established by the loan documents is reached;

19 (4) an initial advance at any time, future advances at
20 times and in amounts requested by the borrower until the credit
21 limit established by the loan documents is reached, and subsequent
22 advances at times and in amounts requested by the borrower
23 according to the terms established by the loan documents to the
24 extent that the outstanding balance is repaid; or 1/2

(5) at any time by the lender, on behalf of the

LA NO AD;
1 borrower, if the borrower fails to timely pay any of the following
2 that the borrower is obligated to pay under the loan documents to
3 the extent necessary to protect the lender's interest in or the
4 value of the homestead property:

5 (A) taxes;

6 (B) insurance;

7 (C) costs of repairs or maintenance performed by
8 a person or company that is not an employee of the lender or a person
9 or company that directly or indirectly controls, is controlled by,
10 or is under common control with the lender;

11 (D) assessments levied against the homestead
12 property; and

13 (E) any lien that has, or may obtain, priority
14 over the lender's lien as it is established in the loan documents.

15 SECTION 2. Section 50, Article XVI, Texas Constitution, is
16 amended by adding Subsection (v) to read as follows:

17 (v) A reverse mortgage must provide that:

18 (1) the owner does not use a credit card, debit card,
19 preprinted solicitation check, or similar device to obtain an
20 advance;

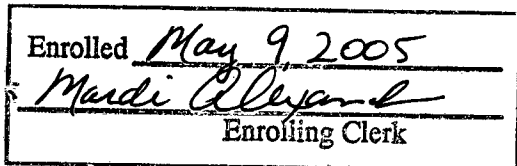
21 (2) after the time the extension of credit is
22 established, no transaction fee is charged or collected solely in
23 connection with any debit or advance; and

24 (3) the lender or holder may not unilaterally amend
25 the extension of credit.

26 SECTION 3. This proposed constitutional amendment shall be^{2/3}
27 submitted to the voters at an election to be held November 8, 2005.

1 The ballot shall be printed to permit voting for or against the
2 proposition: "The constitutional amendment authorizing
3 line-of-credit advances under a reverse mortgage."

Free



S.J.R. No. 7

SENATE JOINT RESOLUTION

proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subsection (p), Section 50, Article XVI, Texas Constitution, is amended to read as follows:

(p) The advances made on a reverse mortgage loan under which more than one advance is made must be made according to the terms established by the loan documents by one or more of the following methods:

(1) an initial advance at any time and future advances at regular intervals;

(2) an initial advance at any time and future advances at regular intervals in which the amounts advanced may be reduced, for one or more advances, at the request of the borrower; [or]

(3) an initial advance at any time and future advances at times and in amounts requested by the borrower until the credit limit established by the loan documents is reached;

(4) an initial advance at any time, future advances at times and in amounts requested by the borrower until the credit limit established by the loan documents is reached, and subsequent advances at times and in amounts requested by the borrower according to the terms established by the loan documents to the extent that the outstanding balance is repaid; or

1 (5) at any time by the lender, on behalf of the
2 borrower, if the borrower fails to timely pay any of the following
3 that the borrower is obligated to pay under the loan documents to
4 the extent necessary to protect the lender's interest in or the
5 value of the homestead property:

6 (A) taxes;

7 (B) insurance;

8 (C) costs of repairs or maintenance performed by
9 a person or company that is not an employee of the lender or a person
10 or company that directly or indirectly controls, is controlled by,
11 or is under common control with the lender;

12 (D) assessments levied against the homestead
13 property; and

14 (E) any lien that has, or may obtain, priority
15 over the lender's lien as it is established in the loan documents.

16 SECTION 2. Section 50, Article XVI, Texas Constitution, is
17 amended by adding Subsection (v) to read as follows:

18 (v) A reverse mortgage must provide that:

19 (1) the owner does not use a credit card, debit card,
20 preprinted solicitation check, or similar device to obtain an
21 advance;

22 (2) after the time the extension of credit is
23 established, no transaction fee is charged or collected solely in
24 connection with any debit or advance; and

25 (3) the lender or holder may not unilaterally amend
26 the extension of credit.

27 SECTION 3. This proposed constitutional amendment shall be

S.J.R. No. 7

1 submitted to the voters at an election to be held November 8, 2005.
2 The ballot shall be printed to permit voting for or against the
3 proposition: "The constitutional amendment authorizing
4 line-of-credit advances under a reverse mortgage."

| | |
|--|---|
| <hr style="width: 80%; margin: 0 auto;"/> President of the Senate | <hr style="width: 80%; margin: 0 auto;"/> Speaker of the House |
|--|---|

I hereby certify that S.J.R. No. 7 was adopted by the Senate on March 3, 2005, by the following vote: Yeas 30, Nays 0; and that the Senate concurred in House amendment on May 9, 2005, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.J.R. No. 7 was adopted by the House, with amendment, on May 2, 2005, by the following vote: Yeas 142, Nays 0, three present not voting.

Chief Clerk of the House

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 22, 2005

TO: Honorable Burt R. Solomons, Chair, House Committee on Financial Institutions

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SJR7 by Carona (proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **Committee Report 2nd House, Substituted**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 17, 2005

TO: Honorable Burt R. Solomons, Chair, House Committee on Financial Institutions

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SJR7 by Carona (Proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **As Engrossed**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 16, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SJR7 by Carona (proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 14, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SJR7 by Carona (Proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.), **As Introduced**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, RB

President of the Senate

Speaker of the House

I hereby certify that ^{J.R.} S.B. No. 7 ^{was adopted by} ^{passed} the Senate on March 3, 2005, by the following vote: Yeas 30, Nays 0; and that the Senate concurred in House amendment on May 9, 2005, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that ^{J.R.} S.B. No. 7 ^{was adopted by} ^{passed} the House, with amendment, on May 2, 2005, by the following vote: Yeas 142, Nays 0.

three present not voting

Chief Clerk of the House

Approved:

Date

Governor:

S.J.R. No. 7

By Carona

proposing a constitutional amendment authorizing line-of-credit advances under a reverse mortgage.

NOV 08 2004 Filed with the Secretary of the Senate BUSINESS AND
FEB 01 2005 Read and referred to Committee on COMMERCE
Reported favorably _____
FEB 17 2005 Reported adversely, with favorable Committee Substitute; Committee Substitute read first time.
Ordered not printed
Laid before the Senate
MAR 03 2005 Senate and Constitutional Rules to permit consideration suspended by: { ~~unanimous consent~~
30 yeas, 0 nays
MAR 03 2005 Read second time, _____, and ordered engrossed by: { ~~unanimous consent~~
a viva voce vote
_____ yeas, _____ nays
MAR 03 2005 Senate and Constitutional 3 Day Rule suspended by a vote of 27 yeas, 3 nays.
MAR 03 2005 Read third time, _____, and passed by: 30 yeas, 0 nays

Latoy Spaw
SECRETARY OF THE SENATE

OTHER ACTION:

March 3, 2005 Engrossed

Sent to House
Engrossing Clerk *Mardi Allyander*
MAR 07 2005 Received from the Senate
MAR 11 2005 Read first time and referred to Committee on Financial Institutions
MAR 21 2005 Reported _____ favorably (~~amended~~) (as/substituted)
MAR 30 2005 Sent to Committee on Calendars
MAY 02 2005 Read second time (comm. subst.) (~~amended~~) and adopted (~~passed to third reading~~) by a
record vote of 142 yeas, 0 nays, 3 present, not voting
Read third time (amended) and finally adopted (failed of adoption) by a
record vote of 142 yeas, _____ nays, _____ present, not voting
MAY 02 2005 Returned to Senate.

Robert Honey
CHIEF CLERK OF THE HOUSE

Returned from House without amendment.
MAY 02 2005 Returned from House with 1 amendments.
MAY 09 2005 Concurred in House amendments by a viva voce vote 31 yeas, 0 nays.

_____ Refused to concur in House amendments and requested the appointment of a Conference Committee to adjust the differences.

_____ Senate conferees instructed.

_____ Senate conferees appointed: _____, Chairman; _____, _____, _____, and _____

_____ House granted Senate request. House conferees appointed: _____, Chairman; _____, _____, _____

_____ Conference Committee Report read and filed with the Secretary of the Senate.

_____ Conference Committee Report adopted on the part of the House by: _____

{ a viva voce vote
_____ yeas, _____ nays

_____ Conference Committee Report adopted on the part of the Senate by:

{ a viva voce vote
_____ yeas, _____ nays

OTHER ACTION:

_____ Recommitted to Conference Committee

_____ Conferees discharged.

_____ Conference Committee Report failed of adoption by: _____

{ a viva voce vote
_____ yeas, _____ nays

05 MAR 30 AM 10: 05
HOUSE OF REPRESENTATIVES